Intsika Yethu Municipality
Annual Financial Statements
for the year ended 30 June 2018

AUDITOR - GENERAL
SOUTH AFRICA
3 0 NOV 2018

General Information

Nature of business and principal activities	Intsika Yethu Municipality is a South African Category B Municipality (Local municipality) as defined by the Municipal Structures Act, 1998 (Act No. 117 of 1998). The municipality's operations are governed by the: - Municipal Finance Management Act, 2003 (Act No. 56 of 2003); - Municipal Systems Act of 2000; and - Various other Acts and regulations.
Executive committee	
Honourable Mayor	Jongumzi Cengani
Councillors	Khanyisa Florence Mdleleni- Speaker of the council Myolisi Toni- Chief whip Saziso Myataza- Portfolio Head {LED} Wonga Dunjwa- Portfolio Head (Budget & Treasury) Noloyiso Dube - Portfolio Head (Planning & Dev. Services) Azipheli Tshangana Nkota- Portfolio Head (Community Services) Noloyiso Ntsaluba- Portfolio Head (Corporate Services) Zukiswa Qayiya- Portfolio Head (Infrastructure) Bongani Divilias Mpengesi- Portfolio Head (Governance & Admin) Zweloxolo Mxi- MPAC Chairperson Zonwabele S. Matshikiza Kholiswa Kolanisi- Womens caucus committee Chairperson Zoliswa Pomolo Pumelele Magazi Culama Mvo Nobom Bani Amanda Kupa Monwabisi Zulu Sizwe Tame Sheilla Nomapha. Lupuzi Wanda Elliot Vani Neliswa Portia Gadeni Melekile Skotana- Petition Committee Chair Manyewu Shasha- Rules Committee Chair Andile Yamile Horatius Khayalethu Mnqojana Nophelo Magaga Nozuko Sygnoria Mafanya Monde Armon Mbotshana Mwezi Innocent Bikitsha Nkosinathi General Mnqanqeni Vuyokazi Gladys Matomela Siphiwo Mkunyana Malibongwe Gulubela Albertinah Nokwetu Rotyi Noloyiso Mto Hegail Nollinset Ntonintshi Noxolile Mavis Hexana Mayenzeke Yamile Nokaya Monica Ludaka

General Information

	Ncedeka Terezabeth Mgqamqho
Grading of local authority	Grade 3
Accounting Officer	Mr. S Koyo
Chief Finance Officer (CFO)	Mr L. Madikizela
Main office	ERF. 201 Main Street Cofimvaba 5380
Satelite office address	ERF 72 Main Street Tsomo 5400
Postal address	Private Bag X 1251 Cofimvaba 5380
Telephone number	(047) 874 8700
Fax number	(047) 874 0010
Auditors	Auditor General South Africa (AGSA)

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditor is engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (Standards of Generally Recognised Accounting Practice) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 , in the light of this review and the current financial position, he is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 5 to 67, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018 and were signed by him:

Mr. S Koyo
Accounting Officer

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current assets			
Inventories	3	50 605 803	50 650 683
Receivables from exchange transactions	4	1 633 785	1 582 526
Receivables from non-exchange transactions	5	3 949 651	2 611 031
VAT receivable	6	3 942 531	7 282 708
Other receivables	7	751 979	811 904
Cash and cash equivalents	8	26 357 521	6 594 965
		87 241 270	**69 533 817**
Non-current assets			
Investment property	9	68 364 929	68 983 508
Property, plant and equipment	10	470 679 682	444 896 581
Landfill site	11	644 293	682 851
		539 688 904	**514 562 940**
Non-Current Assets		539 688 904	514 562 940
Current Assets		87 241 270	69 533 817
Total assets		**626 930 174**	**584 096 757**
Liabilities			
Current liabilities			
Trade and other Payables from non-exchange transaction	40	-	7 292 704
Payables from exchange transactions	12	14 829 650	16 576 751
Unspent conditional grants and receipts	13	8 678 640	-
Provisions	14	3 843 632	2 586 158
Accrued Leave	15	8 269 924	6 718 570
		35 621 846	**33 174 183**
Non-current liabilities			
Provisions	14	4 638 656	4 515 330
Non-Current Liabilities		4 638 656	4 515 330
Current Liabilities		35 621 846	33 174 183
Total liabilities		**40 260 502**	**37 689 513**
Assets		626 930 174	584 096 757
Liabilities		(40 260 502)	(37 689 513)
Net assets		**586 776 105**	**546 407 244**
Accumulated surplus		586 776 105	546 407 244

* See Note 32

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	16	837 729	732 594
Service charges- Interest		356 240	86 370
Rental of facilities and equipment		1 164 326	1 575 784
Licences and permits		2 059 175	2 500 230
Pound fees		-	166 584
Other revenue		2 009 314	835 973
Interest received - investment	41	2 869 772	2 398 465
Total revenue from exchange transactions		**9 296 556**	**8 296 000**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	17	7 204 177	3 278 696
Property rates - Interest	17	712 481	1 076 777
Fines		78 506	1 116 145
Transfer revenue			
Government transfers	18	213 685 898	204 975 881
Other transfer revenue		2 893 462	4 191 889
Total revenue from non-exchange transactions		**224 574 524**	**214 639 388**
		9 296 556	8 296 000
		224 574 524	214 639 388
Total revenue		**233 871 080**	**222 935 388**
Expenditure			
Personnel costs	19	(103 921 663)	(100 578 047)
Remuneration of councillors	20	(15 994 166)	(14 452 207)
Depreciation and amortisation	21	(20 986 046)	(24 287 314)
Finance costs	22	(65)	(540 746)
Debt impairment	23	(3 812 347)	(248 021)
Repairs and maintenance		(1 355 071)	(2 044 158)
General expenses	25	(49 976 561)	(65 130 274)
Total expenditure		**(196 045 919)**	**(207 280 767)**
		-	-
Total revenue		233 871 080	222 935 388
Total expenditure		(196 045 919)	(207 280 767)
Operating surplus		**37 825 161**	**15 654 621**
Gain on disposal of assets and liabilities		2 543 700	-
Operating surplus/deficit		2 543 700	-
Surplus before taxation		40 368 861	15 654 621
Taxation		-	-
Surplus for the year		**40 368 861**	**15 654 621**

* See Note 32

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	585 638 681	585 638 681
Adjustments		
Correction of errors	(54 886 059)	(54 886 059)
Balance at 01 July 2016 as restated*	**530 752 622**	**530 752 622**
Changes in net assets		
Surplus for the year	15 654 622	15 654 622
Total recognised income and expenses for the year	15 654 622	15 654 622
Total changes	15 654 622	15 654 622
Restated* Balance at 01 July 2017	**546 407 244**	**546 407 244**
Changes in net assets		
Surplus for the year	40 368 861	40 368 861
Total changes	40 368 861	40 368 861
Balance at 30 June 2018	**586 776 105**	**586 776 105**
Note(s)		

* See Note 32

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Transfers and other revenue		216 559 363	214 601 258
Interest income		2 869 772	3 547 665
Other receipts		16 365 580	7 837 125
		235 794 715	225 986 048
Payments			
Employee costs		(125 772 177)	(115 030 398)
Suppliers		(44 420 427)	(57 221 445)
Finance costs		(65)	(145 815)
		(170 192 669)	(172 397 658)
Total receipts		235 794 715	225 986 048
Total payments		(170 192 669)	(172 397 658)
Net cash flows from operating activities	26	**65 602 046**	**53 588 390**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(49 934 544)	(42 081 136)
Proceeds from disposal of property, plant and equipment	10	2 543 700	230 565
Net cash flows from investing activities		**(47 390 844)**	**(41 850 571)**
Cash flows from financing activities			
Repayment of other financial liabilities		1 551 354	(7 986 374)
Net increase in cash and cash equivalents		**19 762 556**	**3 751 445**
Cash and cash equivalents at the beginning of the year		6 594 965	2 843 520
Cash and cash equivalents at the end of the year	8	**26 357 521**	**6 594 965**

* See Note 32

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	597 000	-	**597 000**	1 193 969	**596 969**	N1
Rental of facilities and equipment	1 585 000	-	**1 585 000**	1 164 326	**(420 674)**	N2
Licences and permits	1 711 000	-	**1 711 000**	2 059 175	**348 175**	N4
Other income	3 000 000	-	**3 000 000**	2 009 314	**(990 686)**	N1
Interest received - investment	-	-	-	2 869 772	**2 869 772**	N3
Total revenue from exchange transactions	**6 893 000**	-	**6 893 000**	**9 296 556**	**2 403 556**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	3 609 380	-	**3 609 380**	7 204 177	**3 594 797**	N1
Property rates - Interest	-	-	-	712 481	**712 481**	N3
Fines	80 000	-	**80 000**	78 506	**(1 494)**	N1
Transfer revenue						
Government grants and subsidies	213 685 898	-	**213 685 898**	213 685 898	-	
Other transfer revenue	-	2 807 000	**2 807 000**	2 893 462	**86 462**	N8
Total revenue from non-exchange transactions	**217 375 278**	**2 807 000**	**220 182 278**	**224 574 524**	**4 392 246**	
'Total revenue from exchange transactions'	6 893 000	-	**6 893 000**	9 296 556	**2 403 556**	
'Total revenue from non-exchange transactions'	217 375 278	2 807 000	**220 182 278**	224 574 524	**4 392 246**	
Total revenue	**224 268 278**	**2 807 000**	**227 075 278**	**233 871 080**	**6 795 802**	
Expenditure						
Personnel	(121 540 096)	(1 700 000)	**(123 240 096)**	(103 921 663)	**19 318 433**	
Remuneration of councillors	(15 790 785)	(399 800)	**(16 190 585)**	(15 994 166)	**196 419**	
Depreciation and amortisation	-	-	-	(20 986 046)	**(20 986 046)**	N5
Finance costs	-	-	-	(65)	**(65)**	N5
Debt Impairment	-	-	-	(3 812 347)	**(3 812 347)**	N5
Repairs and maintenance	(2 500 000)	-	**(2 500 000)**	(1 355 071)	**1 144 929**	N9
General expenses	(41 762 858)	(13 633 677)	**(55 396 535)**	(49 976 561)	**5 419 974**	N7
Total expenditure	**(181 593 739)**	**(15 733 477)**	**(197 327 216)**	**(196 045 919)**	**1 281 297**	
	224 268 278	2 807 000	**227 075 278**	233 871 080	**6 795 802**	
	(181 593 739)	(15 733 477)	**(197 327 216)**	(196 045 919)	**1 281 297**	
Operating surplus	**42 674 539**	**(12 926 477)**	**29 748 062**	**37 825 161**	**8 077 099**	
Gains on disposal of assets and liabilities	-	-	-	2 543 700	**2 543 700**	N6
	42 674 539	(12 926 477)	**29 748 062**	37 825 161	**8 077 099**	
	-	-	-	2 543 700	**2 543 700**	
Surplus before taxation	**42 674 539**	**(12 926 477)**	**29 748 062**	**40 368 861**	**10 620 799**	
Surplus before taxation	42 674 539	(12 926 477)	**29 748 062**	40 368 861	**10 620 799**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**42 674 539**	**(12 926 477)**	**29 748 062**	**40 368 861**	**10 620 799**	
Capital						
Property, plant and equipment	69 193 700	(1 337 620)	67 856 080	67 856 080	-	

N1 - The budget was based on what the municipality anticipated to collect on revenue and not the actual fees raised, resulting in the difference.

N2 - The budget was based on what the municipality anticipated to collect on rental of facilities and equipment and not the actual fees raised, resulting in the difference.

N3 - The municipality did not budget for interest received. The interest received was for prorperty rates, service charges and short term investment.

N4 - Licences and permits are variable based on the needs of the community. Budgeted revenues were not achieved.

N5 -The municipality did not budget for depreciation, finance costs (interest paid) and debt impairment

N6 - The was a change in the dermacation of the minicipalities which led municipalities recieving assets from other municipalities

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N7 -The electricity which was budget as capital expenditure has been expensed because it has transfered to Eskom
N8_ Other transfer revenue is grant from Crhis Hani District Municipality
N9_ Other repairs and mantainance for Plant (Yellow fleet) is being capitalized for in house projects.

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

- GRAP 1 -Presentation if Financial Statement
- GRAP 2 - Cash Flow Statement
- GRAP 3 -Accounting Policies, Change in Accounting Estimates and Errors
- GRAP 4 - The Effect of Changes in Foreign Exchange Rates
- GRAP 5 - Borrowing Cost
- GRAP 6 - Consolidated and Seperate Financial Statements
- GRAP 7 - Investment in Associates
- GRAP 8 - Investment in Joint Ventures
- GRAP 9 - Revenue from Exchange Transaction
- GRAP 10 - Financial Reporting in Hyperinflationery Economies
- GRAP 11 - Construction Contracts
- GRAP 12 - Inventories
- GRAP 13 - Leases
- GRAP 14 - Events After the Reporting Date
- GRAP 16 - Investment Property
- GRAP 17 - Property, Plant and Equipment
- GRAP 18 - Segment Reporting
- GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets
- GRAP 21 - Impairment of Non-cash-generating Assets
- GRAP 23 -Revenue from Non-exchange Transaction
- GRAP 24 - Presentation of Budget Information in Financial Statements
- GRAP 25 - Employee Benefits
- GRAP 26 - Impairment of Cash-generating Assets
- GRAP 27 - Agrculture
- GRAP 31 -Intangible Assets
- GRAP 100 -Discontinued Operations
- GRAP 103 -Heritage Assets
- GRAP 104 -Financial Instrument
- GRAP 105 -Transfer of Function Between Entities Under Common Control
- GRAP 106 -Transfer of Function Between Entities Not Under Common Control
- GRAP 107 -Mergers

Interpretations:

- IGRAP 1 - Applying the probability test in initial recognition of exchange revenue
- IGRAP 2 - Change in existing decommissioning, restoration and similar liabilities
- IGRAP 3 - Determining whether an arrangement contains a lease
- IGRAP 4 - Rights to interest arising from decommissioning, restoration and environmental rehabilitation funds
- IGRAP 5 - Apply the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationery Economies
- IGRAP 6 - Loyality Programmes
- IGRAP 7 - The limit on a Defind Benfit Assets, Minimum Funding Requirments and their Interaction
- IGRAP 8 - Agreement for the construction of assets from exchange transactions
- IGRAP 9 -Distributions of Non-cash Assets to Owners
- IGRAP 10 - Assets received from customers
- IGRAP 11 - Consolidations- Special Purpose Entities
- IGRAP 12 - Jointly Controlled Entities - Non-monetary Contributions by Venturers
- IGRAP 13 - Operating leases - incentive
- IGRAP 14 - Evaluating the substance of transactions involving the legal form of a lease
- IGRAP 15 - Revenue- Barter Transactions Involving Advertising Services
- IGRAP 16 - Intangible assets - Website costs (effective 1 April 2013)

Accounting Policies

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. The municipality has rounded off to the nearest Rand

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade and other receivables

The municipality assesses its trade and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade and other receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Depreciation and amortisation

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of the assets are based on management's estimation of the asset's condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availablity of finance to replace the asset at the end of its useful life. In evaluating how the condition and use of the asset informs the useful life and residual value management considers the impact of technolgy and minimum service requirements of the assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Accounting Policies

1.4 Investment property (continued)

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note).

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Accounting Policies

1.5 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up. When significant components of items of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. All other costs are recognised in the income statement as an expense as incurred.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item		Average useful life
Landfill sites	Straight line	26 years
Buildings	Straight line	
- Mobile offices		10 - 20 years
- Other		30 - 50 years
Computer equipment	Straight line	5 - 15 years
Plant and machinery	Straight line	5 - 25 years
Furniture and office equipment	Straight line	7 - 20 years
Motor vehicles	Straight line	10 - 15 years
Infrastructure assets	Straight line	
- Roads and paving		5 - 135 years
Community assets	Straight line	
- Halls		15 - 50 years
- Libraries		15 - 30 years
Parks and recreation	Straight line	15 - 70 years
Wastewater network	Straight line	10 - 30 years
Electricity	Straight line	20 - 30 years
Land	Straight line	Indefinite

Accounting Policies

1.5 Property, plant and equipment (continued)

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Accounting Policies

1.7 Financial instruments (continued)

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

1.7 Financial instruments (continued)

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non - exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at fair value

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Accounting Policies

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

1.7 Financial instruments (continued)

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

Accounting Policies

1.8 Inventories (continued)

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.9 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.9 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.9 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.10 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Accounting Policies

1.10 Impairment of non-cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.10 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.11 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Accounting Policies

1.11 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.12 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

1.12 Provisions and contingencies (continued)

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 30.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.9 and 1.10.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.13 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Finance income

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Tariff charges, licences and permits

Revenue arising from the application of approved tariffs is recognised when the service is rendered by applying the relevant authorised tariff. This includes licences and permits.

Rentals

Revenue from rental of facilities and equipment classified as operating leases is recognised over the term of the lease agreement, where such terms spans over more than one year a straight line basis is used.

1.14 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

1.14 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Government grants

Income received from conditional grants, donations and funding recognised as revenue in the statement of financial performance to the extend that the municipality has complied with all the criterias or conditions attached to the funding. Where the conditions or criterias are not fully met, a liability is recognised in the statement of financial position.

Government grants that are received as compensation for expenses or losses incurred or for the purpose of giving immediate financial support with no future related conditions to be fulfilled are recognised in the statement of financial performance in the year in which they have been received.

Interest earned from investment of grant money is treated in accordance with the grant conditions. If it is payable to the funder it is recognised as a liability in the statement of financial position. If the interest is not payable to the funder it will be recognised as interest income or other income in the statement of financial performance of the period to which it was earned.

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of revenue can be measured reliably; and
- to the extent that the conditions have been discharged and there has been compliance with any restrictions associated with the grant.

Other grants and donations

The municipality transfers money to individuals or organisations and other sectors of government from time to time, when making these transfers the municipality does not:
- receive any goods or services in return as would be expected in a purchase or sale transaction;
- expect to be repaid in future; and
- expect a financial return as would be expected from an investment.

1.15 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Discontinued operations

Discontinued operations is a component with seperate operations and cash flows that can be clearly distinguishable, operationally and for financial reporting purposes, that has been disposed of and represents a destinguishable activity, group of activities or geographical are of operations, or is a controlled entity acquired exclusively withthe view to resale.

Discontinued operations are shown seperately from continued operations on the face of the statement of financial performance. Comparative figures are also reflected accordingly.

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. The nature and reason for the reclassification are disclosed in the comparative figure note to the financial statements.

Accounting Policies

1.19 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.
- expenditure not in accordance with the purpose of the conditional grant.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the MFMA, the Municipal Systems Act, 2000 (Act No.32 of 2000), and the Public Office Bearers Act, 1998 (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Events after reporting period

Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements. Non-adjusting events have been disclosed in the notes to the financial statements.

1.23 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

1.24 Commitments

Items are classified as commitments when the Municipality has committed itself to future transactions that will normally result in an outflow of resources ,embodying economic benefits or service potential. A commitment is disclosed to the extent that it has not already been recognised anywhere else in the financial statements.

At the end of each financial reporting period the Municipality determines commitments is respect of capital expenditure that has been approved and contracted for which is then disclosed in the commitment note to the financial statements.

1.25 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Accounting Policies

1.25 Budget information (continued)

Comparative information is not required.

1.26 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.27 Value Added Tax (VAT)

Revenue, expenses and assets are recognised net of VAT. The net amount of VAT recoverable from, or payable to SARS is included as part of receivables or payables in the statement of financial position.

Municipality accounts for VAT on a payments basis.

1.28 Changes in accounting policy, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 - Accounting polices, changes in accounting estimates and errors, requirements except to the extent that it is impracticable to determine the period- specific effects or the accumulated effect of the change in policy. In such cases the municipality shall restate the opening balances of the assets and liabilities and net assets for the earliest period for which a retrospective restatement is practicable. Details of the change in accounting policy are disclosed in the notes to the financial statements where applicable.

Changes in accounting estimates are applied prospectively in accordance wit GRAP 3 requirements. Details of change in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 except to the extent it is impracticable to determine the period specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of the assets and liabilities and net assets for the earliest period for which retrospective treatment is practicable. Details of the prior errors are disclosed in the notes to the financial statements where applicable.

Notes to the Annual Financial Statements

2. New standards and interpretations

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:
- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:
- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:
- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality has adopted the standard for the first time when the Minister sets the effective date for the standard.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 110: Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecogntion of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 16 (as amended 2016): Investment Property

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Amendments to the Standard of GRAP on Agriculture resulted from changes made to IPSAS 27 on Agriculture (IPSAS 27) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27. In addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on Heritage Assets. The IPSASB currently does not have a pronouncement on this topic.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality is unable to reliably estimate the impact of the amendment on the annual financial statements.

The expected impact of the amendment is [discuss the impact that Standard/Interpretation/Amendment is expected to have on the municipality's annual financial statements].

The impact of this amendment is currently being assessed.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 106 (as amended 2016): Transfers of functions between entities not under common control

Amendments to the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control resulted from changes made to IFRS 3 on Business Combinations (IFRS 3) as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are:

- IASB amendments: To require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 110 (as amended 2016): Living and Non-living Resources

Amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the amendment is for years beginning on or after 01 April 2018.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is 01 April 2018

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

	2018	2017 Restated*

3. Inventories

Consumables	20 668	65 548
Properties held for sale	50 585 135	50 585 135
	50 605 803	**50 650 683**

Inventory relates to property held for sale and consumables.

4. Receivables from exchange transactions

Trade debtors	4 970 196	4 209 159
Reallocation of receivables with credit balances to trade payables	(357 447)	125 815
Reallocation of payables with debit balance to receivables	-	40 924
Impairment of trade and other receivables form exchange transation	(2 978 964)	(2 793 372)
	1 633 785	**1 582 526**

Trade and other receivables from exchange transactions

2018

Debtors	0 - 30 days	31 - 60 days	61 - 90 days	> 90 days	Total
Business	131 801	67 626	61 049	1 462 864	1 723 340
Government Departments	120 621	42 380	36 932	748 292	948 225
Rental debtors	10 156	5 528	4 614	2 838	23 136
Other	52 589	22 549	21 615	530 866	627 619
Residential	73 593	42 899	42 352	1 489 032	1 647 876
	388 760	**180 982**	**166 562**	**4 233 892**	**4 970 196**

Debtors by revenue type	0 - 30 days	31 - 60 days	61 - 90 days	> 90 days	Total
Service charges	378 604	175 454	161 984	4 231 018	4 947 060
Rental income	10 156	5 528	4 578	2 874	23 136
	388 760	**180 982**	**166 562**	**4 233 892**	**4 970 196**

2017

	0 - 30 days	31 - 60 days	61 - 90 days	> 90 days	Total
Business	29 089	17 351	10 561	869 819	926 820
Government Departments	22 135	21 603	19 566	721 164	784 468
Rental Debtors	67 417	65 371	54 175	967 432	1 154 395
Other	-	-	-	145 062	145 062
Residential	18 225	15 364	17 057	1 147 768	1 198 414
	136 866	**119 689**	**101 359**	**3 851 245**	**4 209 159**

Debtors by revenue type	0 - 30 days	31 - 60 days	61 - 90 days	> 90 days	Total
Services charges	77 925	88 665	66 155	2 127 135	2 359 880
Rental income	58 941	31 024	35 204	1 724 110	1 849 279
	136 866	**119 689**	**101 359**	**3 851 245**	**4 209 159**

	2018	2017 Restated*

4. Receivables from exchange transactions (continued)

Trade and other receivables past due but not impaired

At 30 June 2018, R982 900 (2017: R753 136) were past due but not impaired.

The were not amounts that were not impaired in the current year

0-30 Days	97 899	100 595
31-60 Days	25 811	11 374
61-90 Days	83 920	82 605
>90 Days	592 710	558 561

Trade and other receivables impaired

As of 30 June 2018, trade and other receivables of R2 270 511 (2017: R8 308 887) were impaired and provided for.

The amount of the provision was R(2 978 964) as of 30 June 2018 (2017: R2 738 008).

The ageing of these receivables is as follows:

0-30 Days	388 760	55 208
31-60 Days	180 982	71 335
61-90 Days	166 562	54 154
>90 Days	1 993 892	2 469 545

Reconciliation of provision for impairment of trade and other receivables

Opening balance	2 738 008	2 095 092
Provision for impairment	1 363 096	642 916
	4 101 104	**2 738 008**

5. Receivables from non-exchange transactions

Property rates	9 270 511	8 308 887
Reallocation of receivables with credit balances to trade payables	-	268 738
Impairment of trade and other receivables	-	(5 966 594)
Impairment of trade and other receivable from non exchange transaction	(5 320 860)	-
	3 949 651	**2 611 031**

Receivables from non-exchange transactions

2018

	0 - 30 Days	31 - 60 Days	61 - 90 Days	> 90 days	Total
Business	233 315	119 711	108 071	3 165 499	3 626 596
Government Departments	227 685	75 021	65 378	1 206 786	1 574 870
Other	17 979	9 785	8 167	5 020	40 951
Rental debtors	93 093	39 917	38 264	939 742	1 111 016
Residential	130 275	75 939	74 972	2 635 892	2 917 078
	702 347	**320 373**	**294 852**	**7 952 939**	**9 270 511**

* See Note 32

	2018	2017 Restated*

5. Receivables from non-exchange transactions (continued)

Debtors by revenue type	0 - 30 Days	31 - 60 Days	61 - 90 Days	> 90 days	Total
Property rates	702 347	320 373	294 852	7 952 939	9 270 511

2017

	0 - 30 Days	31 - 60 Days	61 - 90 Days	> 90 days	Total
Business	96 716	111 059	100 725	3 082 219	3 390 719
Government Departments	156 632	188 751	97 036	2 626 114	3 068 533
Other	(3 016)	12 834	9 737	400 904	420 459
Residential	11 223	27 686	34 505	1 355 762	1 429 176
	261 555	**340 330**	**242 003**	**7 464 999**	**8 308 887**

Debtors by revenue type	0 - 30 Days	31 - 60 Days	61 - 90 Days	> 90 days	Total
Property rates	261 555	340 330	242 003	7 464 999	8 308 887

Receivables from non-exchange transactions past due but not impaired

At 30 June 2018, R4 500 790 (2017: R1 606 884) were past due but not impaired.

The amounts that were not impaired during the year:

	2018	2017
0-30 Days	325 711	214 869
31-60 Days	230 211	22 494
61-90 Days	198 601	176 442
>90 Days	3 745 262	1 193 079

Receivables from non-exchange transactions impaired

As of 30 June 2018, other receivables from non-exchange transactions of R9 270 511 (2017: R5 700 869) were impaired and provided for.

The amount of the provision was R(2 978 964) (2017: R2 738 008).

The ageing of these receivables is as follows:

	2018	2017
0-30 Days	702 347	117 922
31-60 Days	320 373	152 369
61-90 Days	294 851	155 672
>90 Days	7 952 939	5 274 906

Reconciliation of provision for impairment of receivables from non-exchange transactions

	2018	2017
Opening balance	5 848 338	6 243 233
Provision for impairment	2 449 252	(394 895)
	8 297 590	**5 848 338**

6. VAT receivable

	2018	2017
VAT Receivable	3 942 531	7 282 708

* See Note 32

Notes to the Annual Financial Statements

	2018	2017 Restated*

7. Other receivables

Chris Hani District Municipality (Receivable from water services)	1 812 524	1 812 524
Traffic fines	979 750	1 097 794
Provision for impairment	(2 040 295)	(2 089 664)
Traffic fines written of by the court	-	(8 750)
	751 979	**811 904**

The refund due from CHDM relates to payments made, less income received, after 1 July 2014 for the water services function. As disclosed in note , the water services function, along with the related assets and liabilities, was transferred to CHDM with effect from 1 July 2014. Management have been in discussions with CHDM and based on these discussions, the recoverability of the loan is unlikely.

Management have assessed the recoverability of traffic fines and this balance has been impaired to its estimated recoverable amount.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	-	6 826
Bank balances	26 357 521	4 371 157
Short-term deposits	-	2 216 982
	26 357 521	**6 594 965**

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2018	**30 June 2017**	**30 June 2016**	**30 June 2018**	**30 June 2017**	**30 June 2016**
FNB 62022331003 (Cheque)	6 397 034	4 371 156	(14 566)	6 397 034	4 371 156	(14 566)
FNB 62101651398 (Cheque)	9 588 973	78 441	115 879	9 588 973	78 441	115 879
FNB 62022332316 (Money MKT)	506 742	960 968	61 059	506 742	960 968	61 059
FNB 62090678320 (Money MKT)	252 663	1 823	174 241	252 663	1 823	174 241
FNB 62240443820 (Cheque-Account closed)	-	196 446	259 195	-	196 446	259 195
ABSA 961149096 (32 days call)	777 293	744 217	710 822	777 293	744 217	710 822
FNB 62026740549 (Money MKT)	4 714 280	876	1 332 315	4 714 280	876	1 332 315
FNB 62027101245 (Money MKT)	192 734	183 117	54 100	192 734	183 117	54 100
FNB 62160167500 (Money MKT)	3 927 802	51 093	154 085	3 927 802	51 093	154 085
Total	**26 357 521**	**6 588 137**	**2 847 130**	**26 357 521**	**6 588 137**	**2 847 130**

* See Note 32

9. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	73 954 693	(5 589 764)	68 364 929	73 954 693	(4 971 185)	68 983 508

Reconciliation of investment property - 2018

	Opening balance	Depreciation	Total
Investment property	68 983 508	(618 579)	68 364 929

Reconciliation of investment property - 2017

	Opening balance	Disposals	Depreciation	Total
Investment property	70 030 598	(405 957)	(641 133)	68 983 508

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

10. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	76 359 270	(10 328 406)	66 030 864	76 359 270	(8 708 638)	67 650 632
Plant and machinery	42 270 594	(22 703 205)	19 567 389	42 126 594	(19 567 351)	22 559 243
Motor vehicles	11 941 447	(4 408 362)	7 533 085	11 941 447	(3 364 810)	8 576 637
Office equipment	4 745 276	(2 722 070)	2 023 206	4 745 276	(2 289 393)	2 455 883
Computer equipment	3 308 802	(2 305 769)	1 003 033	3 066 327	(1 813 577)	1 252 750
Road infrastructure	401 843 263	(207 815 012)	194 028 251	390 799 215	(195 897 163)	194 902 052
Community	40 253 330	(7 600 004)	32 653 326	34 214 427	(6 815 669)	27 398 758
Work in progress	132 959 992	-	132 959 992	105 109 960	-	105 109 960
Electricity	16 107 389	(1 476 575)	14 630 814	15 441 139	(724 340)	14 716 799
Wastewater network	732 964	(483 242)	249 722	732 964	(459 097)	273 867
Total	**730 522 327**	**(259 842 645)**	**470 679 682**	**684 536 619**	**(239 640 038)**	**444 896 581**

* See Note 32

	2018	2017 Restated*

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Transfers received	Transfers	Depreciation	Total
Buildings	67 650 632	-	-	-	(1 619 768)	66 030 864
Plant and machinery	22 559 243	144 000	-	-	(3 135 854)	19 567 389
Motor vehicles	8 576 637	-	-	-	(1 043 552)	7 533 085
Furniture and office equipment	2 455 883	-	-	-	(432 677)	2 023 206
Computer equipment	1 252 750	242 475	-	-	(492 192)	1 003 033
Road infrastructure	194 902 052	14 230 557	4 705 653	(5 268 834)	(14 541 177)	194 028 251
Community	27 398 758	3 067 416	3 558 768	(451 888)	(919 728)	32 653 326
Work in progress	105 109 960	31 583 897	-	(3 733 865)	-	132 959 992
Electricity	14 716 799	666 199	-	-	(752 184)	14 630 814
Wastewater network	273 867	-	-	-	(24 145)	249 722
	444 896 581	**49 934 544**	**8 264 421**	**(9 454 587)**	**(22 961 277)**	**470 679 682**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	56 768 230	12 215 303	-	-	(1 332 901)	67 650 632
Plant and machinery	25 660 952	22 329	-	-	(3 124 038)	22 559 243
Motor vehicles	8 616 596	1 202 487	(230 565)	-	(1 011 881)	8 576 637
Office equipment	2 665 095	216 790	-	-	(426 002)	2 455 883
Computer equipment	1 119 154	599 525	-	-	(465 929)	1 252 750
Road infrastructure	205 550 453	5 569 667	-	-	(16 218 068)	194 902 052
Community	28 165 040	-	-	-	(766 282)	27 398 758
Work in progress	110 108 691	37 136 908	-	(42 135 639)	-	105 109 960
Electricity	4 363 244	10 584 809	-	-	(231 254)	14 716 799
Wastewater network	305 134	-	-	-	(31 267)	273 867
	443 322 589	**67 547 818**	**(230 565)**	**(42 135 639)**	**(23 607 622)**	**444 896 581**

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality. Assets with a carrying value of R 171 777 could not be found. The municipality is in the process of investigating the reasons why these assets could not be found and further action will be taken as a result of the investigation. Non are these assest are held as a security or surerity to any institutions they belong to the municipality.
For Repairs and Mantainance incurred for the above asset class is disclosed in the face of the Financial Perfomance.

11. Landfill site

	2018			2017		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Landfill site	809 735	(165 442)	644 293	809 735	(126 884)	682 851

* See Note 32

	2018	2017 Restated*

11. Landfill site (continued)

Reconciliation of landfill site - 2018

	Opening balance	Depreciation	Total
Landfill site	682 851	(38 558)	644 293

Reconciliation of landfill site - 2017

	Opening balance	Depreciation	Total
Landfill site	721 410	(38 559)	682 851

Landfill site

The municipality is required by relevant Environmental Legislation to rehabilitate landfill sites at the closure date of each respective site. The "Capitalise Restoration Cost" asset, which is capitalised in the line with the requirements of GRAP 17 and GRAP 2, relates to the initial estimate of costs involved to restore landfill sites under control of Instika Yethu Municipality.

Although this item is accounted for under the Property Plant and Equipment Standard (GRAP 17), the characteristics and nature of this item does not resemble that of normal PPE (such as the tangible nature of assets normally associated with PPE). Based on the aforementioned and in line with the requirements of GRAP 1, Capitalised Restoration Cost is disclosed as a separate item on the face of the Statement of Financial Position.

12. Payables from exchange transactions

	2018	2017
Trade payables	386 811	3 103 751
Unallocated receipts	1 262 741	1 002 247
Sundry payables	3 824 899	3 504 557
Retentions	4 087 497	3 975 068
Land sale	4 910 255	4 906 255
Allocation of creditors with debit balance	-	(40 942)
Allocation of debtors with credit balance	357 447	125 815
	14 829 650	**16 576 751**

13. Unspent conditional grants and receipts

Unspent conditional grants comprises of:

Unspent conditional grants and receipts	2018	2017
Municipal Infrastructure Grant	8 137 165	-
Integrated National Electrification Programme Grant	541 475	-
	8 678 640	-

Movement during the year

	2018	2017
Balance at the beginning of the year	-	38 130
Additions during the year	59 955 000	62 597 880
Income recognition during the year	(51 276 360)	(62 636 010)
	8 678 640	-

	2018	2017 Restated*

13. Unspent conditional grants and receipts (continued)

Non-current liabilities	-	-
Current liabilities	8 678 640	-
	8 678 640	**-**

See note 18 for reconciliation of grants from National/Provincial Government and conditions of the grants.

These amounts are invested in a ring-fenced investment until utilised.

* See Note 32

14. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Environmental rehabilitation - landfill site	704 947	(16 361)	688 586
Provisions for long services award	4 073 241	516 195	4 589 436
Provisions for perfomance bonuses	2 323 300	880 966	3 204 266
	7 101 488	**1 380 800**	**8 482 288**

Reconciliation of provisions - 2017

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation - landfill sites	873 254	17 076	(185 383)	704 947
Provision for long services award	3 925 105	148 136	-	4 073 241
Provisions for perfomance bonuses	1 513 038	810 262	-	2 323 300
	6 311 397	**975 474**	**(185 383)**	**7 101 488**

Non-current liabilities	4 638 656	4 515 330
Current liabilities	3 843 632	2 586 158
	8 482 288	**7 101 488**

Environmental rehabilitation provision

The provision relates to the rehabilitation of landfill sites.

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation using an interest rate of 2.00%.

The expected life of the Cofimvaba landfill site is projected to be 20 years from 30 June 2018. The interest rate for the landfill site is 2.00% for 2018/19.

Provision for perfomance bonuses

The provision for perfomance bonuses is for section 56 and 57 managers which they receive only if they meet their targets.

Provision for long service

INTRODUCTION

Intsika Yethu Local Municipality, ('Intsika Yethu'), has requested a specialist in GRAP 25 reporting, ALN Agencies, to compile an actuarial valuation report on its present value of long service bonus awards liability at 30 June 2018. The purpose of the report will be to disclose results in the Statement of Generally Recognised Accounting Practice 25 (GRAP 25) format as informed by the Accounting Standards Board (ASB). The results/disclosures illustrated in this report are GRAP 25 compliant. A previous actuarial valuation was compiled as at 30 June
2017
SUMMARY OF RESULTS

Below we report on the summary of the actuarial valuation we conducted as at 30 June 2018. The summary is a reconciliation of the opening to the closing accrued liabilities for the 2016/17 and 2017/18 financial years.

* See Note 32

	2018	2017 Restated*

14. Provisions (continued)

	30 June 2018 R's	30 June 2018 R's
Opening accrued liability	4,073,241	3,925,105
Current service cost	569,892	579,814
Current interest cost	321,397	319,014
Expected benefit payments	-628,431	-524,964
Projected accrued liability	4,336,099	4,298,969
Actuarial (gain)/loss over financial year	253,337	-225,728
Closing Actual accrued liability	4,589,436	4,073,241

The actual expense cost for the year ending 30 June 2018, and the net change in the accrued obligation over the financial year ending 30 June 2018 are determined as follows:

	R's
Current service cost	569,892
Current interest cost	321,397
Actuarial (gain)/loss	253,337
Net expense recognisd in income statement as at 30 June 2018	1,144,626
Actual benefit payments	-628,431
Net change in the accrued liability over the financial year ending 30 June 2018	516,195

ELIGIBLE EMPLOYEES

The table below summarises the employees eligible for long service bonus awards as at the current valuation date, 30 June 2018, as provided by Intsika Yethu, with the summary as at 30 June 2017 shown for comparative purposes.

	30 June 2018	30 June 2017
Number of employees	260	241

	2018	2017 Restated*

14. Provisions (continued)

Average annual salary (R)	204,619	198,660
Average age (years)	40.4	40.1
Average past service (years)	7.1	6.8

VALUATION METHOD

In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in future based on service accrued to the valuation date and awards projected to retirement date. In determining these liabilities, due allowance has been made for future award increases.

The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP25.

VALUATION ASSUMPTIONS NET DISCOUNTRATE

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised below:

Assumption	30 June 2018	30 June 2017
Discount rate	8.81%	8.55%
CPI	5.38%	5.35%
Salary increase rate	6.38%	6.35%
Net Discount Rate	2.28%	2.07%

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2017 the duration of liabilities was 6.37 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 29 June 2018 is 8.81% per annum, and the yield on inflation- linked bonds of a similar term was about 2.78% per annum. This implies an underlying expectation of inflation of 5.38% per annum ([1 + 8.55%] / [1 + 2.78%] - 1).

We have assumed that salary inflation would exceed general inflation by 1.00% per annum i.e 6.3% per annum,

14. Provisions (continued)

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 2.28% per annum ([1 + 8.81%] / [1 + 6.38%] - 1).

PROGRESSION OFTHE ACCRUED LIABILITY

The accrued liability is a function of an additional year of accrued service, interest cost, and less the bonuses payable to staff attaining long service milestones. The result is based on the valuation data supplied, and the valuation methodology and assumptions applied to the valuation data. The valuation data used in the current valuation was summarised in Section 2 and the valuation method and assumptions applied on the data were detailed in Section 4.

The current actual accrued liability, and the projected accrued liability, progress as shown the tables that follow.

BALANCE SHEET ACCRUED LIABILITY

	30 June 2019	30 June 2018	30 June 2017
	R's	R's	R's
Employer's accrued liability	5,028,398	4,589,436	4,073,241

FUNDING LEVEL

The funded status is calculated by comparing the accrued liabilities, as at the valuation date, with the plan assets held. The funded status, as at the 2017, 2018 and 2019 valuation dates, is shown below:

	30 June 2019	30 June 2018	30 June 2017
	R's	R's	R's
A: Employer's accrued liability	5,028,398	4,589,436	4,073,241
B: Fair value of plan assets	-	-	-
Funded status at valuation date = A - B	-5,028,398	-4,589,436	-4,073,241

* See Note 32

14. Provisions (continued)

-

RECOGNITION OF NET EXPENSE

The actual expense for the 2016/17, 2017/18 financial years together with the projected expense for the 2018/19 financial year is as follows:

	30 June 2019	30 June 2018	30 June 2017
Service cost	4,589,436	4,073,241	3,925,105
Interest cost	379,869	321,397	614,370
Actuarial (gain)/loss	-	253,337	-225,728
B: Net expense statement	994,239	1,144,626	673,100
C: Benefit payments	-555,277	-628,431	-524,964
Closing accrued liability = A + B + C	5,028,398	4,589,436	4,073,241

ANALYSIS OF THE ACTUARIAL (GAIN)/LOSS

The actuarial (gain)/loss summarises the effects of the valuation assumptions compared to the actual experience of the participants. The table below shows a reconciliation of the projected liability to the accrued liability as at 30 June 2018.

* See Note 32

14. Provisions (continued)

	R's
Accrued liability as at 30 June 2017	4,073,241
(1) Service Cost	569,892
(2) Interest Cost	321,397
(3) Expected benefit payments	-628,431
Projected accrued liability as at 30 June 2018	4,336,099
(4) Discount rate changes	-54,823
(5) Staff changes	30,720
(6) Salary changes	264,878
(7) Miscellaneous	12,562
Actual accrued liability as at 30 June 2018	4,589,436

During the 2017/18 financial year Intsika Yethu employees accrued an extra year of service and as a result the liability increased by R569,892.

Interest cost over the valuation period results in an increase in the liability by R321,397.

Some employees attained milestones during the valuation period and this resulted in bonus payment of R628,431 which reduced the accrued liability by the same margin.

The net discount rate changed from 2.07% to 2.28% during the valuation period. This implies that the "assets" set aside for the eventual payments of bonuses are invested at a more lucrative interest rate than in the prior valuation period. As result this reduces the balance of assets/liabilities that need to be set aside for the payment of future bonuses.

Movements in the staff employed by Intsika Yethu during the valuation period resulted in an increase to the liability.

The salary increase assumption of 6.35% in the prior valuation period was lower than the actual increases in the salaries. This increased the liability the liability.

The miscellaneous items in the data resulted in a increase to the liability by R12,562. Factors that make up the miscellaneous items are changes to membership composition, data changes from the previous valuation, and variations from demographic assumptions (i.e. rates of withdrawal).

Based on our results, Intsika Yethu's accrued liability for its long service benefits was R4,589,436 and the fair value of plan assets was nil. The recognised funded status liability as at 30 June 2018 is therefore R4,589,436.

The net expense for the 2017/18 financial year was R1,144,626. The projected net expense for the 2018/19 financial year is R994,239.

Notes to the Annual Financial Statements

	2018	2017 Restated*

15. Accrued Leave

Employee accrued Leave	8 269 924	6 718 570

16. Service charges

Service charges	837 729	732 594
Interest received on service fees	356 240	-
	1 193 969	**732 594**

17. Property rates

Rates received

Property rates	7 204 177	3 278 696
	7 204 177	3 278 696
Property rates - interest	712 481	1 076 777
	7 916 658	**4 355 473**

Valuations

Residential	72 504 400	72 504 400
Commercial	144 148 900	144 148 900
State	153 673 600	153 673 600
Municipal	229 290 800	229 290 800
Place of worship	6 499 000	6 499 000
Private service infrastructure	105 800	105 800
Agriculture properties	17 876 801	17 876 801
Vacant land	9 953 800	9 953 800
Schools	2 751 000	2 751 000
Public Benefit Organisation	13 376 300	13 376 300
	650 180 401	**650 180 401**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

18. Government transfers and subsidies

Equitable share	147 333 000	145 276 000
Municipal Infrastructure Grant	44 617 832	39 895 000
LG SETA	180 078	157 530
Integrated National Electrification Programme	6 658 525	16 538 130
Financial Management Grant	2 145 000	1 798 221
Extended Public Works Program- Greenest	2 951 000	-
Extended Public Works Program Grant	2 520 000	1 311 000
Department of Sports, Recreation, Arts and Culture	300 000	-
OTP Eletrification	6 980 463	-
	213 685 898	**204 975 881**

Conditional and Unconditional

* See Note 32

	2018	2017 Restated*

18. Government transfers and subsidies (continued)

Included in above are the following grants and subsidies received:

Conditional grants received	75 011 544	59 699 881
Unconditional grants received	147 333 000	145 276 000
	222 344 544	**204 975 881**

Equitable Share

Balance unspent at beginning of year	-	-
Current-year receipts	147 333 000	145 276 000
Conditions met - transferred to revenue	(147 333 000)	(145 276 000)
	-	-

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

MIG

Balance unspent at beginning of year	-	-
Current-year receipts	52 755 000	39 895 000
Conditions met - transferred to revenue	(44 617 832)	(39 895 000)
	8 137 168	-

The Municipal Infrastructure Grant is a conditional grant, the purpose of which is to provide all South Africans with at least a basic level of service through the provision of grant finance to cover the capital cost of fund access roads and related infrastructure..

LG SETA

Balance unspent at beginning of year	-	-
Current-year receipts	180 078	109 800
Conditions met - transferred to revenue	(180 078)	(109 800)
	-	-

This grant is from Department of Local Government for training purposes.

Integrated National Electrification Programme

Balance unspent at beginning of year	-	38 130
Current-year receipts	7 200 000	16 500 000
Conditions met - transferred to revenue	(6 658 525)	(16 538 730)
	541 475	-

Conditions still to be met - remain liabilities (see note 13).

The Integrated Electrification Programme is a conditional grant. The purpose of the Integrated Electrification Programme Grant is to facilitate the development of the electrical infrastructure grid as part of the Integrated National Electrification Programme..

* See Note 32

Notes to the Annual Financial Statements

	2018	2017 Restated*

18. Government transfers and subsidies (continued)

Financial Management Transfer

Balance unspent at beginning of year	-	-
Current-year receipts	2 145 000	1 810 000
Conditions met - transferred to revenue	(2 145 000)	(1 810 000)
	-	-

The Financial Management Grant is a conditional grant. The purpose of the FMG is to promote and support municipal financial management reforms and assist municipalities with the implementation of the MFMA. The focus of the FMG Grant is to build awareness and undertake training on MFMA reforms including budgeting, reporting and financial processes

EPWP Greenest

Balance unspent at beginning of year	-	-
Current-year receipts	2 951 000	-
Conditions met - transferred to revenue	(2 951 000)	-
	-	-

The Expanded Public Works Programme (EPWP) is a conditional grant and is one of government's short-to-medium term programs aimed at alleviating and reducing unemployment. The EPWP will achieve this aim through the provision of work opportunities coupled with training.Additional text

Extended Public Works Program Transfer

Balance unspent at beginning of year	-	-
Current-year receipts	2 520 000	1 311 000
Conditions met - transferred to revenue	(2 520 000)	(1 311 000)
	-	-

The grant was received from Department of Public Works for Extendent Public Works Programme.

Department of Sports, Recreation, Arts and Culture

Current-year receipts	300 000	300 000
Conditions met - transferred to revenue	(300 000)	(300 000)
	-	-

The grant was received from Department of Sports, Recreation, Arts and Culture.

Office of The Premier (OTP)

Current-year receipts	6 980 463	-
Conditions met - transferred to revenue	(6 980 463)	-
	-	-

The grant was received from Department of Local Government for the Eletrification of Cofimvaba village (Ward 11).

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, 2014 (Act No. 10 of 2014), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

* See Note 32

Notes to the Annual Financial Statements

	2018	2017 Restated*

19. Personnel costs

	2018	2017
Basic	80 016 435	76 848 270
Bonus	5 543 653	5 186 558
Medical aid - company contributions	4 893 203	4 585 364
SDL & UIF	1 449 767	1 549 293
Leave pay provision charge	1 599 677	1 601 520
Travel and car allowance	4 814 085	887 707
Overtime payments	381 663	1 819 003
Long-service awards	266 548	353 910
Acting allowances	520 830	224 685
Housing benefits and other allowances	4 435 802	7 521 737
	103 921 663	**100 578 047**

Remuneration of key management

2018	Basic salary	Performance bonus	Allowances	Total
Mrs N Fololo (Appointed at March 2018)	220 479	-	177 169	397 648
Miss A Ntengenyane	909 088	96 152	428 903	1 434 143
Ms N Nkuhlu	175 105	-	142 914	318 019
Mr S Koyo	875 907	-	175 774	1 051 681
Mr K Maceba	909 088	137 361	397 740	1 444 189
Mr K Clock (Appointed at April 2018)	131 461	-	67 946	1 987
Mr L Madikizela	915 769	11 332	257 501	1 184 602
	4 136 897	**244 845**	**1 647 947**	**5 832 269**

2017	Basic salary	Performance bonus	Allowances	Total
Mr Z Shasha (Resigned on 25 April 2017)	684 829	156 352	954 860	1 814 443
Miss A Ntengenyane	779 649	128 374	676 204	1 601 608
Ms N Nkuhlu	779 649	89 862	767 776	1 654 668
Mr S Koyo	713 230	128 374	744 930	1 603 915
Mr K Maceba	779 649	128 374	778 852	1 704 256
Mr X Ntikinca (Resigned on 19 December 2016)	353 963	128 374	467 742	967 460
Mr L Madikizela (Appointed 01 April 2017)	229 995	-	60 983	290 978
	4 320 964	**759 710**	**4 451 347**	**9 637 328**

20. Remuneration of councillors

	2018	2017
Basic salaries and allowances	15 994 166	14 452 207
Mayor	840 312	742 153
Speaker of the council	681 977	634 028
Chief whip	641 336	590 547
Councillors	13 830 541	12 485 480
	15 994 166	**14 452 208**

* See Note 32

	2018	2017 Restated*

20. Remuneration of councillors (continued)

In-kind benefits

The salaries, allowances and benefits of the councillors as disclosed are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with the Act.

The Mayor and Speaker have use of Municipal owned vehicles for official duties.

21. Depreciation and amortisation

	2018	2017 Restated*
Property, plant and equipment	20 367 467	23 646 182
Investment property	618 579	641 132
	20 986 046	**24 287 314**

22. Finance costs

	2018	2017 Restated*
DBSA loan	-	377 855
Bank	65	-
Other interest paid	-	162 891
	65	**540 746**

23. Debt impairment

	2018	2017 Restated*
Contribution to debt impairment provision: exchange transactions	1 363 095	642 916
Contribution to debt impairment provision: non-exchange transactions	2 449 252	(394 895)
	3 812 347	**248 021**

24. Transfer of assets

	2018	2017 Restated*
Assets received for Amahlathi Local Municipality	8 264 421	-
Assets transfered to Enoch Mgijimi Local Municipality	(5 320 721)	-
	2 943 700	-

Assets transferred during the year under review because of the change of demecation. The assets received were from Amahlathi Municipality and the one's transferred to Enoch Mgijimi Municipality.

Notes to the Annual Financial Statements

25. General expenses

	2018	2017 Restated*
Advertising	664 488	407 228
Auditors' remuneration	4 316 794	4 349 626
Books and publications	-	122 345
Bank charges	34 843	82 814
Catering	50 135	277 223
Cleaning	-	175 921
Community development	1 531 789	3 008 666
Conferences and seminars	-	279 893
Consulting and professional fees	10 632 610	10 916 213
Electricity	1 097 029	842 465
Entertainment	128 870	2 000
Electricity Transfered to Eskom	5 792 056	13 866 523
Free basic electricty	3 053 079	3 604 414
Fuel and oil	2 777 031	1 513 726
Electricity (Office of The Premier)	6 433 677	-
Hire of equipment	29 989	1 249 838
Insurance	554 547	389 974
IT expenses	1 119 417	1 023 636
HIV and AIDS	-	32 997
Landfill sites mantainance	-	63 105
Legal fees	907 856	1 762 635
Motor vehicle expenses	365 197	480 337
Provision for landfill site	(16 361)	(185 383)
Policy development	37 491	2 550 163
Postage and courier	-	2 292
Printing and stationery	240 864	574 652
Protective clothing	328 545	24 552
Project maintenance costs	33 224	49 624
Security	127 253	463 110
Special programmes	4 648 394	10 766 727
Social needs	-	12 905
Subscription and membership	-	373 196
Telephone and fax	1 284 387	1 577 283
Traditional leaders	-	208 821
Training	1 721 509	2 218 936
Travel and accommodation	1 759 205	1 584 770
Traffic cards	322 643	288 142
VAT Dissallowed by SARS	-	168 905
	49 976 561	**65 130 274**

Notes to the Annual Financial Statements

	2018	2017 Restated*

26. Cash generated from operations

Surplus	40 368 861	15 654 622
Adjustments for:		
Depreciation and amortisation	20 986 046	24 287 314
Loss on sale of assets and liabilities	(2 543 700)	-
Debt impairment	3 812 347	226 587
Movements in operating lease assets and accruals	(7 292 704)	4 098 063
Movements in provisions	1 246 355	(1 801 769)
Interest on borrowings	-	377 855
Changes in working capital:		
Receivables from exchange transactions	(584 503)	(1 840 173)
Receivables from non-exchange transactions	(361 745)	(227 755)
Other receivables	(361 745)	291 975
Payables from exchange transactions	(1 685 983)	10 756 743
VAT	3 340 177	1 764 928
Unspent conditional grants and receipts	8 678 640	-
	65 602 046	**53 588 390**

27. Auditors' remuneration

Fees	4 316 794	4 349 626

* See Note 32

Notes to the Annual Financial Statements

	2018	2017 Restated*

28. Financial instruments disclosure

Categories of financial instruments

2018

Assets

	Financial assets at fair value	Financial assets at amortised cost	Total
Receivables from exchange transactions	-	1 633 755	1 633 755
Receivables from non-exchange transactions	-	3 949 651	3 949 651
Cash and cash equivalents	26 357 521	-	26 357 521
	26 357 521	**5 583 406**	**31 940 927**

Liabilities

	At amortised cost	Total
Unspent condtional grants	8 676 640	8 676 640
Trade and other payables from exchange transactions	14 829 659	14 829 659
Accrued leaves	8 269 924	8 269 924
	31 776 223	**31 776 223**

2017

Assets

	Financial assets at fair value	Financial assets at amortised cost	Total
Receivables from exchange transactions	-	1 582 526	1 582 526
Receivables from non-exchange transactions	-	2 611 031	2 611 031
Cash and cash equivalents	6 594 965	-	6 594 965
	6 594 965	**4 193 557**	**10 788 522**

Liabilities

	At fair value	At amortised cost	Total
Trade and other payables from exchange transactions	-	16 576 751	16 576 751
Accrued leaves	-	6 718 570	6 718 570
	-	**23 295 321**	**23 295 321**

* See Note 32

Notes to the Annual Financial Statements

	2018	2017 Restated*

29. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Other financial assets	43 575 148	13 016 345
This committed expenditure will be financed from:		
	43 575 148	13 016 345
Total capital commitments		
	43 575 148	13 016 345

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	471 468	369 181

Operating lease payments represent rentals payable by the municipality for printers and copiers. The contract was extended and it is ending ending on 30 June 2018 and was extended to end on 30 November 2018.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	471 468	369 181

30. Contingencies

Contingencies liability	9 866 713	10 200 000

The contingent liability relates to the following cases against the municipality:
- Edward Sebenzani Matanzima vs IYM R1 500 000;
- Minister of Water and Sanitation Dept vs IYM R8 366 713.52;
- These cases are still pending and no jugdement or final decision has been reached.

31. Related parties

Remuneration of key management: Refer to note 19 and 20 for the remuneration of councillors and other key management.

Compensation to Audit Commit Members		
Mr. Galada	54 332	26 794
Mr. Mbawuli	107 375	61 129
Mr. Rasmeni (Resigned)	-	4 000
Ms. Mbelani (Resigned)	-	11 116
Mr. Tshangana	50 363	24 485
	212 070	**127 524**

* See Note 32

Notes to the Annual Financial Statements

	2018	2017 Restated*

32. Prior year adjustments

During the 2018 financial year, the following material adjustments to prior year figures were identified:

Value Added Tax

There was an adjustment which was done by SARS Assesment which amounts to R 893 149.

Correction of errors resulted in the following prior year adjustments:

Value Added Tax		
Opening balance		8 175 857
Adjustment		(893 149)
Restated balance		**7 282 708**

Electrification of villages		
Electrication Expense		13 866 523
Work In Progress (W.I.P)		(67 752 944)
Movement in Accumulated Surplus		**(53 886 421)**

The prior year adjustment relate to Electrification of villages that are funded by INEP Grant. The expenditure was capitalised under WIP.

Plant income		
Plant income revenue		2 288 189
Fuel and oil		(2 288 189)
		-

The plant income was incorrectly raised instead of captalizing fuel

		-
		-
		-

33. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

33. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2018	2017
Receivables from exchange transactions	1 991 232	1 471 151
Receivables from non-exchange transactions	3 949 651	2 460 550
Cash and cash equivalents	26 357 521	6 663 733

Market risk

Interest rate risk

The municipality interest bearing assets are included under cash and cash equivalents, trade receivables from exchange transactions and receivables from non-exchange transactions. The municipality's income and operating cash flows are substantially independent of changes in market interest rates due to the short term nature of the interest bearing assets.

At year end, the financial liabilities expensed to interest rate risk include those other financial liabilities disclosed in note 15 to the annual financial statements.

Balances with banks, deposits, call current accounts attract interest at rates that vary with the South African prime rate. The Municipality's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on the statement of financial performance.

Trade debtors in arrears are charged interest at a rate of 1% per month.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments. During 2018 and 2017, the municipality's has borrowings at variable rate were denominated in the Rand.

34. Events after the reporting date

The municipality is not aware of any events after 30 June 2017 that may have a material impact on the financial statements or require disclosure.

35. Unauthorised expenditure

	2018	2017
Opening balance	142 497 723	142 497 723
Current year	24 798 393	-
	167 296 116	**142 497 723**

The Unauthorised expenditure for current year was caused by the non-cash items (depreciation and impairment) of debtors that were not budget for.

* See Note 32

Notes to the Annual Financial Statements

	2018	2017 Restated*

36. Fruitless and wasteful expenditure

	2018	2017
Opening balance	242 077	1 089 939
Fruitless and wasteful expenditure written off	-	(1 089 939)
Fruitless and wasteful expenditure	39 367	242 077
	281 444	**242 077**

Fruitless and wasteful expenditure relates to interest paid to the suppliers.

37. Irregular expenditure

	2018	2017
Opening balance	2 876 935	141 994 847
Add: Irregular Expenditure - current year	584 541	2 876 935
Less: Amounts written off	(2 846 551)	(141 994 847)
	614 925	**2 876 935**

Irregular expenditure was due to non-compliance with supply chain management policies and regulations.
Non-compliance with preferential procurement regulation on local content- R 292 478.
No evidence to support for obtaining 3 written quotations - R 66 986.
Non-compliance with SCM regulations (Regulation 32)- R 225 077

38. Additional disclosure in terms of the MFMA

Contributions to organised local government

	2018	2017
Opening balance	-	684 428
Current year subscription / fee	1 098 117	411 246
Amount paid - current year	(1 098 117)	(1 095 674)
	-	-

Medical aid fund contributions

	2018	2017
Opening balance	534 682	-
Current year subscription	10 760 225	9 017 292
Amount paid - current year	(11 294 907)	(8 482 610)
	-	**534 682**

Pension fund contributions

	2018	2017
Opening balance	762 160	-
Current year subscription / fee	15 418 249	13 399 958
Amount paid - current year	(16 180 409)	(12 637 798)
	-	**762 160**

Audit fees

	2018	2017
Opening balance	739 984	40 645
Current year subscription / fee	5 125 017	4 275 388
Amount paid - current year	(5 865 001)	(3 576 049)
	-	**739 984**

Notes to the Annual Financial Statements

	2018	2017 Restated*

38. Additional disclosure in terms of the MFMA (continued)

VAT

	2018	2017
VAT receivable	3 942 531	7 282 708

VAT output payables and VAT input receivables are included in note 6.

Councillors' arrear consumer accounts

The following Councillor had arrear accounts outstanding for more than 90 days at 30 June 2018:

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr A L Mvo	12 657	147 596	160 253
Cllr M I Bikitsha	821	9 948	10 769
	13 478	**157 544**	**171 022**

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr A L Mvo	5 575	98 712	104 287
Cllr M I Bikitsha	437	16 652	17 089
	6 012	**115 364**	**121 376**

39. Deviation from supply chain management regulations

The following deviations from the Supply Chain Management Policy were approved by the Municipal Manager during the year:

Reason	Amount	
Direct invitation to the municipality	35 999	-
Emergency	6 709	-
It is a specialized product	13 556	-
Municipality's appointed insurance broker	17 950	-
Only accredited service provider in terms of the Eastern Cape Provincial Government protocol	11 455	-
Only responded supplier	29 640	-
Registration upon acceptance	287 600	-
Selected by insurance company	16 500	-
Single provider only.	70 284	-
Special service	48 857	-
	538 550	**-**

40. Trade and other payables from non exchange transaction

	2018	2017
Non-current liabilities	-	(268 738)
Current liabilities	-	(7 292 704)
	-	**(7 561 442)**

* See Note 32

Notes to the Annual Financial Statements

	2018	2017 Restated*

41. Investment revenue

Interest revenue		
Bank	2 869 772	2 398 465
	-	-
	2 869 772	2 398 465

42. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

43. Change in accounting estimate

Landfill site

The site life of the landfill site was estimated in 2018 to be 20 years. There was a change in the net discount rate from 3.11% in 2017 to 3.63% in 2018. In addition, the CPA rate of 2.9% was used to increase the unit costs used to determine the rehabilitation and closure costs since the previous financial year.

The effect of this revision has decrease the landfill site asset and the landfill site liability by R 87 401 each, composed of: